Collection: Blackwell, Morton: Files
Folder Title: Economic Package
Box: 7

4% HBC DEFENSE NUMBER IS PHONEY:

REAL CUT MUCH DEEPER

1983 Budget
84
Demo

- 1984 Real Growth Rate is 2.3%

  - 4% real defense growth claim based on HBC staff error:

  - Omitted impact of 4% pay raise in real growth calculation, and used lower inflation assumptions than CBO figures used in rest of HBC resolution.

  - CBO memo of 3/18/83 to Senate Budget Committee (attached) verifies 2.3% real defense increase in the HBC budget resolution.

- HBC $9.3 billion 1984 outlay cut would require bigger program reductions than proposed in McNamara/Vance list.

  - HBC 4% pay raise requires $2.5 billion outlay add-on to President's defense function request.

  - To achieve HBC defense function outlay number of $235.4 billion would therefore requires $12.4 billion outlay reduction from non-pay part of President's defense budget.

  - McNamara/Vance cut list resulted in only $7.0 billion in non-pay defense outlay savings.

  - To achieve only 56% of the HBC proposed 1984 outlay cut for defense non-pay, McNamara/Vance reduces or eliminates following:

    - Eliminate B-1 Bomber
    - Cut ballistic missle defense R&D by 50%
    - 58% cut for M-1 tank
    - 34% cut for Bradley infantry fighting vehicle
    - Cancel AH-64 helicopter
    - Cut patriot defense missile by over 50%
    - Cancel F-14
    - Cancel F-15
    - Cancel AV-8B close air support aircraft
    - Cut 1 Aegis cruiser
    - Cancel amphibious ship (LHD-1 program)
    - 50% cut in precision munitions such as
    - Cancel MX basing and missile production
    - Reduce continental air defense and C3

- HBC $16.4 billion defense budget authority cut is vastly understated -- two-times bigger cut needed to achieve HBC outlay ceiling.

  - Average first-year spend-out from non-pay accounts is only 35% -- reflecting a range between 68% for O&M purchases and 14% for procurement.

  - To achieve $12.4 billion in outlay savings from non-pay accounts (and $9.9 billion net outlay savings after HBC 4% pay increase) would require a $34 billion budget authority cut from non-pay accounts.

  - This is two times larger than HBC's claimed $16 billion cut in budget authority -- only alternative would be drastic cut in faster- spending O&M readiness expenditures.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

March 18, 1983

MEMORANDUM

TO: Paul Heilig

FROM: Mick Miller

To answer your questions about defense inflators, pay raise assumptions, and real growth in the House Budget Committee recommendation, I have prepared the following short analysis.

In previous memos and fact sheets, I have shown fixed rate-real growth paths for defense budget authority (BA) assuming the pay raises contained in the President's Request. Because pay raises are considered to be price growth for personnel, CBO and both the current and previous Administration have adjusted their "defense deflators" for actual and proposed pay raises. For example, with no 1984 pay raise, the 1984 defense inflation rate is 4.1 percent (BA), but a 4 percent military and civilian pay raise would increase it to 5.1 percent and cause the fixed-rate growth paths to be higher essentially by the amount of the pay raise (there would be some compounding).

Five percent real growth in 1984 with no pay raise would be about $267 billion, but with a 4 percent pay raise it would increase to about $270 billion. Outlays, of course, can vary widely depending on the program mix within the budget authority total. The attached table shows total budget authority associated with fixed rate-real growth paths of 1 to 10 percent.

Also, I have been assuming that no supplemental or rescissions would be enacted for 1983; a higher/lower base reduces/increases the rate of real growth for a given 1984 total. For example the House Budget Committee recommendation contains about 2.8 percent real growth measured against a lower current law base but about 2.3 percent measured against the higher 1983 base contained in the recommendation.

cc: Bob Walters

Budget Authority Assuming Fixed Rates of Real Growth and 4 Percent Annual Pay Raises

(By fiscal year, in billions of dollars)

Real Growth Rate (%)	1984	1985	1986	1987	1988
1	259	276	294	313	333
2	262	282	303	325	350
3	264	287	312	338	367
4	267	293	321	352	386
5	270	298	330	365	404
6	272	304	340	380	424
7	275	310	349	394	444
8	277	316	359	409	466
9	280	322	369	424	488
10	282	327	380	440	510

The Heritage Foundation Backgrounder

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Tax Indexing File

March 22, 1983

TAX INDEXING: AT LAST A BREAK FOR THE LITTLE GUY

INTRODUCTION

During the 1970s, bracket creep became U.S. taxpayers' enemy No. 1. Even if workers received pay raises keeping up with inflation, real after-tax wages declined since many were pushed into higher tax brackets. The taxpayer found himself on an accelerating tax treadmill. Average- and lower-income Americans routinely faced tax rates once reserved for the rich. While only some 3 percent of taxpayers faced marginal tax rates of 30 percent or above in 1960, by 1981 bracket creep had shoved 34 percent of them up to the 30 percent level or higher.

Finally something was done about bracket creep. The Economic Recovery Tax Act (ERTA) of 1981 provides that all tax rate brackets, the zero bracket amount (formerly the standard deduction) and personal exemptions are to be indexed for inflation, beginning in 1985. No longer will taxpayers be pushed into higher tax brackets simply because inflation increases their nominal income. Bracket creep in effect was to be buried.

Now, some in Congress are having second thoughts and want to repeal the measure, before it even begins. They want to perpetuate bracket creep and, with it, their power to tax by the backdoor and enable the government to profit from inflation-causing programs. Without indexing, every 10 percent inflation will give the government a 17 percent tax windfall. Paying for this, of course, will be the American taxpayer, particularly average Americans and the working poor. They have been the most hurt over the last decade as inflation has pushed them into higher tax brackets. They would be the most hurt should indexing be eliminated.

About 80 percent of the relief generated by tax indexing benefits taxpayers earning less than $50,000 a year. Those taxpayers making above $200,000 a year will get only about 1.2 percent of the tax relief. If Congress repeals indexing, the tax liability of the lowest-income Americans would increase in one year by ten times the percentage increase of the highest income groups. The $10,000 bracket would face a 14 percent hike in the first year alone, but the $200,000 income groups would pay only about 1.3 percent higher taxes.

Even with moderate inflation the tax liability of the lowest income bracket would be 60 percent higher in 1988 than it would be with indexing. This would be balancing the budget on the backs of average Americans and the working poor. Repeal of indexing, according to a Department of Treasury study, essentially would eliminate the 25 percent income tax reductions for all taxpayers except the very rich by 1989. Tax rates on every income family, except the rich, would rise to record highs in only a few years. In short, indexing is a break for the average American taxpayer. To repeal indexing is to penalize the working man and woman.

The campaign by some members of Congress to repeal indexing would nullify probably the most important tax reform provision of the Reagan economic program. This program, designed to stimulate the economy by allowing individuals to keep and save more of what they earn, is a complex mosaic. Among its many components:

1. Private Capital Formation. Reducing the top rate of tax on individuals from 70 percent to 50 percent and expanding the eligibility for IRAs and Keoghs were moves designed to increase the capital available for new enterprises and investment. These measures have already boosted confidence for business startups and generated tangible economic benefits: the savings rate has surged 30 percent to 6.9 percent of disposable personal income in the third quarter of 1982, the stock market is at a record high, funds in IRAs and Keoghs have nearly doubled in just one year, and the venture capital industry has grown rapidly.[1]

2. Business Tax Reform. Accelerating and simplifying the depreciation allowances available for machine tools and other capital equipment was enacted to spur American business to invest in new factory equipment and tools. Although about 70 percent of the 1981 business tax cuts were repealed in last summer's tax hike package, American business is still expected to enjoy a vigorous recovery and begin to hike capital investment significantly. As it was, despite the severe recession, business and industrial outlays for capital equipment (after an inflation adjustment) shrunk only one-third of the amount experienced in the 1974-1975 economic downturn.

3. Tax Relief for Lower and Middle Income Americans. The 25 percent income tax cut and tax indexing provide average and

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1 See Thomas Humbert, "Reaganomics: Making Gains," Heritage Foundation Backgrounder #239, January 21, 1983.

working Americans with much needed relief after nearly two decades of skyrocketing taxation. When indexing begins in 1985, it will force the government to tax openly and deliberately and to stimulate work, savings, and jobs by lowering marginal tax rates.

Those aspects of the Reagan tax strategy that took effect during the first twelve months--the capital formation initiatives and the business tax cuts--generally provided corporations and upper-bracket Americans with the lion's share of the benefits. Of course, even these early provisions generate important benefits for a broad range of income groups as a quickened pace of investment and saving activity stimulates economic growth. But the remainder of the program--and especially tax bracket indexing--is targeted directly at the grass-roots taxpayer. It is this group that will gain the most from the ten percent tax cut scheduled for July. And it is this group that will be the primary beneficiaries when individual tax brackets are indexed to the rate of inflation. Only the 1983 income tax cut and indexing will save average and working Americans from the highest tax burden in history.

THE IMPORTANCE OF INDEXING

Bracket Creep is a Hidden Tax. Bracket creep is a hidden tax, requiring no action by Congress. Example: Under the terms of the 1984 tax code and without indexing,[2] a family of four making $25,000 a year in 1984 would have to make $27,500 one year later to earn the same pre-tax real income. With $27,500, the family's real income is effectively the same, but its tax bill increases from $1,621 to $1,953. Although the family's income has grown by 10 percent, bracket creep increases its federal taxes by over 20 percent. The family faces a marginal tax rate of 18 percent compared with the 16 percent it faced before, and its average tax rate has jumped from 6.5 percent to 7.1 percent.

If the family's taxes had remained constant with inflation, it would have paid $1,783, instead of the $1,953. As such, even though pre-tax income kept abreast of inflation, the family's real after-tax purchasing power was reduced by $170. This represents an inflation tax, and the taxpayer's loss becomes the government's gain. In this case, the 10 percent inflation raised government revenues over 20 percent. In the aggregate, for all income classes, a 10 percent increase in inflation generates a 17 percent increase in government revenues.[3] The higher the inflation rate, the higher the inflation tax.

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2 This example is based on the 1984 tax code and assumes that the third year of the tax cut is not repealed. The calculations are based on a family of four with all income from wages and salaries and no tax preferences or adjustments to income. Itemized deductions are assumed to be 23 percent of income.

3 The 1983 Joint Economic Report on the February 1983 Economic Report of the President, Joint Economic Committee, March 3, 1983.

Indexing would eliminate this inflation tax by adjusting both the top and bottom amounts of each tax bracket according to the inflation rate. The zero bracket amouht (formerly the standard deduction) and the personal exemption also would be increased by the inflation rate. After indexing takes effect, every 10 percent increase in inflation would increase tax revenues by only 10 percent rather than 17 percent. In the case above, indexing would have ensured that the family's real after-tax income was unaffected by inflation--its marginal and average tax rates would be unaltered.

Indexing Helps the Lower-Paid. Taxpayers in the lowest income categories suffer most from inflation and, accordingly, will benefit disproportionately from indexing. The reasons:

1) with so many upper-income Americans now in the maximum tax bracket of 50 percent, bracket creep is of importance only to middle- and lower-income taxpayers;

2) changes in marginal tax rates are more frequent in lower-income categories, especially $15,000-$30,000, than in higher ones;

3) movement from one income tax bracket to another is more common at lower-income levels because the width of the brackets increases as income rises;

4) the zero bracket amount and personal exemptions erode in value as inflation rises, unlike most itemized deductions used by higher income groups.

Although all Americans are hurt by bracket creep, the effect is less at higher incomes. In a year of 8 percent inflation, for instance, the average tax bite increases by a high of 26 percent for the $12,000 income earner, to just 9.6 percent for taxpayers making $150,000.

The inflation tax accelerates over time, much like compound interest. As Chart I shows, ten years of 8 percent inflation would increase the taxes of Americans by between 130 and 430 percent, with the largest tax increases reserved for lower incomes, while money incomes would have increased over the same period by just 116 percent. Taxes for all income brackets increase by more than ten times the one-year increase. Taxes on the $18,000 income bracket, for example, increase 16½ percent in one year of 8 percent inflation, but taxes over ten years under such an inflation rate increase by 33 percent--twenty times the first year's tax hike.

With the inflation rate in the 1970s averaging about 6.5 percent a year, tax liabilities increased substantially for all income levels. On the average, taxes increased by 1.7 times faster than the inflation rate. Because of this, the nine major tax reductions enacted by Congress in the 1960s and 1970s did not reduce taxes at all. They simply offset about half of the cumulative tax increase due to inflation. While Congress claimed credit for cutting taxes, it actually was collecting tax windfalls from inflation. With this windfall, it enacted more programs and bloated the federal bureaucracy.

These skyrocketing taxes have exacted a heavy punishment on enterprise, investment, and saving. Why work, invest, or save when the government takes such a large chunk of profits or wages? It is no wonder that the American economy began sputtering and eventually fell into the worst recession in four decades.

CHART 1

Percentage increases in federal income taxes due to salary increases and the portions of the increases due to bracket creep (8% annual inflation rate)

Initial salary	Increase in federal tax	Portion due to bracket creep
Part A -- after an interval of 1 year		
$ 12,000	25.8%	68.9%
15,000	18.1	55.8
18,000	16.5	51.6
21,000	16.3	51.0
24,000	16.7	52.0
27,000	15.8	49.3
30,000	15.5	48.4
50,000	15.3	47.7
100,000	10.6	24.7
150,000	9.6	16.4
Part B -- after an interval of 10 years		
$ 12,000	438.1%	73.5%
15,000	361.5	67.9
18,000	337.1	65.6
21,000	332.2	65.1
24,000	325.8	64.4
27,000	316.8	63.4
30,000	305.7	62.1
50,000	224.9	48.5
100,000	153.8	24.6
150,000	138.7	16.4

Source: Journal of Accountancy, January 1982.

THE IMPACT OF REPEALING INDEXING

Indexing was designed to arrest the steep climb of marginal tax rates with its damaging effects on incentives and enterprise. Indexing is, in effect, the most significant achievement of the taxpayer's revolt, representing the most far-reaching tax reform for the lower-bracket taxpayer--the little guy--in the past two decades. It is a guarantee that Washington no longer will take a bigger tax bite out of the workingman's paycheck just because inflation increases nominal income.

CHART II
The Effect of Repealing Indexing,
Distributed by Adjusted Gross Income Class
(1981 Levels, 1984 Law)

Adjusted gross income class	Share of all taxes paid as of 1984	Share of benefits dues indexing (assuming 4.5 percent inflation)
($000)	(percent)	(percent)
Less than 10	2.1%	6.5%
10 - 15	5.8	7.4
15 - 20	8.1	9.2
20 - 30	20.7	22.2
30 - 50	29.9	32.4
50 - 100	17.7	16.3
100 - 200	8.6	4.8
200 and over	7.1	1.2
Total	100.0%	100.0%

Source: Office of the Secretary of the Treasury
Office of Tax Analysis

With inflation expected to range betwen 4 and 5 percent a year after 1985, indexing will give taxpayers about $98 billion in relief from the inflation tax between 1985 and 1988. Taxpayers making below $50,000 a year will receive the lion's share of the relief--about $78 billion. Currently, this group pays about two-thirds of all income taxes and will receive about 80 percent of the tax relief from indexing. Taxpayers earning below $15,000 contribute 7.9 percent of the total taxes, but will receive 13.9 percent of the benefits from indexing. The wealthy, on the other hand, will receive much smaller benefits. Just 1.2 percent of the tax relief from indexing will go to taxpayers making $200,000 or more, although they contribute 7.1 percent of total taxes (see Chart II).

If Congress repeals tax indexing, the tax liability of low- and middle-income Americans would increase in the first year by a far greater percentage than that of Americans with income over $50,000. After only one year of an unindexed tax code, a wage earner making $10,000 would pay 14 percent higher taxes; the $30,000 tax bracket, 3 percent higher taxes; and the $200,000 bracket, only 1.3 percent higher (see Chart III).

This would occur in the first year. After four unindexed years, Americans, especially lower-income groups, would face even higher average and marginal taxes. Without indexing, taxes on the $0 to $5,000 income class would be 60 percent higher in 1988 than with indexing; taxes on the $15,000 to $20,000 income group would be 14 percent higher; taxes for the $200,000 to $500,000 group would be just 3 percent higher. The overall taxpayer liability, if indexing were repealed, would increase by 3 percent in 1985, 6.5 percent in 1986, almost 9 percent in 1987, and over 11 percent in 1988.[4]

Chart III
Change in Income Tax Liability Due to Repealing the Indexing Provision Enacted in ERTA
(Four-Person, One-Earner Family)

(dollars)

Income	Tax liability under 1984 law	Change in tax liability due to repealing indexing	
		Amount	Percentage
$10,000	$ 291	$ 41	14.1%
20,000	1,549	41	2.7
30,000	3,003	94	3.1
40,000	4,874	169	3.5
50,000	7,165	249	3.5
100,000	22,056	463	2.1
200,000	58,190	777	1.3

Source: Office of the Secretary of the Treasury
Office of Tax Analysis

Note: Tax liabilities are calculated assuming that deductible expenses equal 23 percent of gross income and that all income is wages.

Repeal of indexing would mean an enormous increase in taxes. The median income family of four, earning $24,000 in 1982, would pay $1,000 in additional taxes between 1985 and 1988 if indexing were repealed. As Chart IV shows, the family's average tax rate would increase from 9.17 percent in 1984 to 10.41 percent by 1988. This means that the Reagan tax cuts would be wiped out after only four years of moderate inflation. Only the rich would stay ahead of the game.

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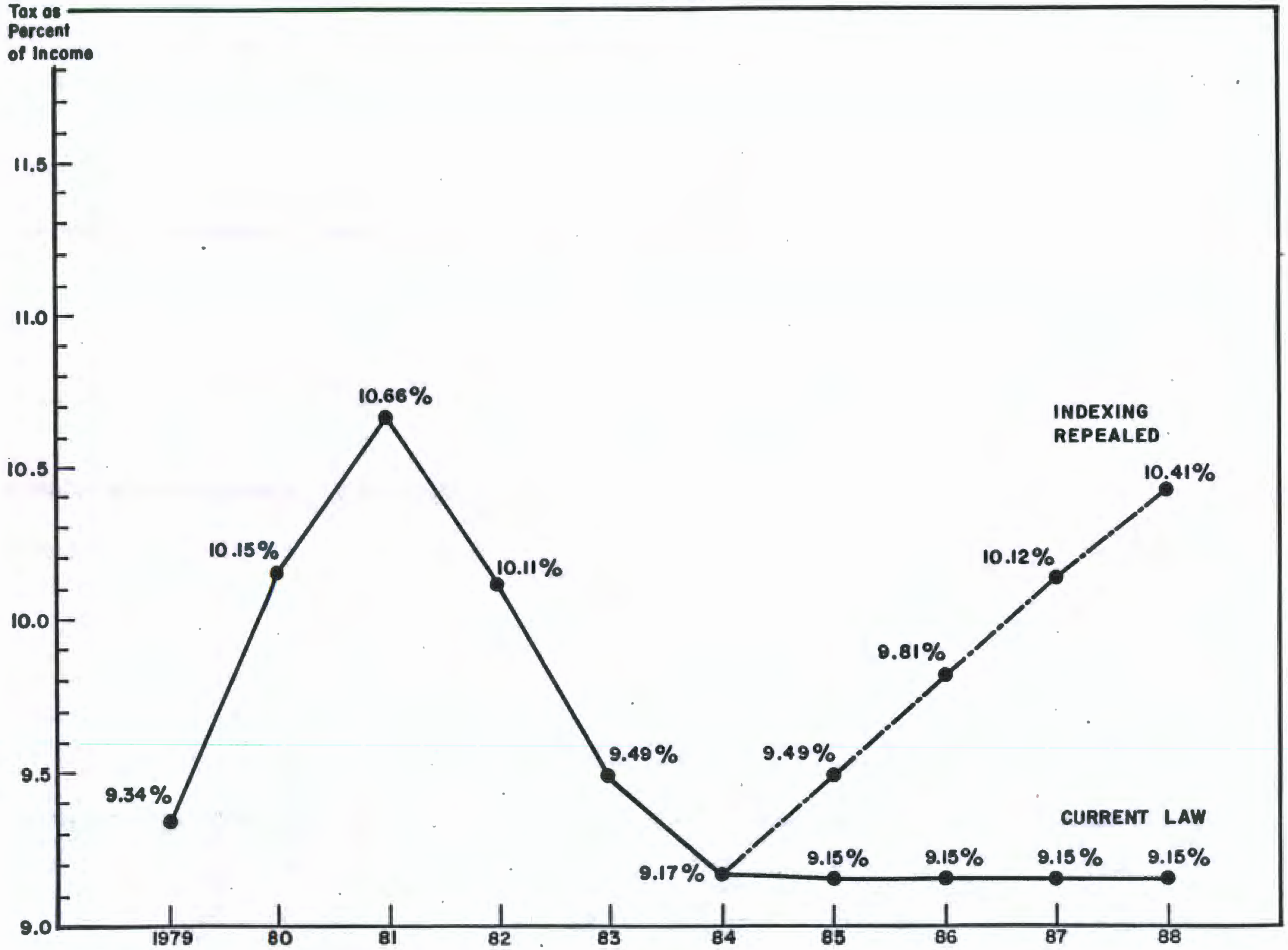
4 Figures are 1982 adjusted gross income levels, and 1984 law.

MEDIAN INCOME FAMILY OF FOUR EARNING $24,000 IN 1982

AVERAGE TAX RATES AFTER COST OF LIVING ADJUSTMENTS

1979 - 1988



SOURCE: TREASURY DEPARTMENT

CHART V

THE OBJECTIONS TO INDEXING

Deficits

Opponents argue that indexing will contribute to the burgeoning budget deficit. Some even claim that the U.S. is an undertaxed society. Yet indexing would not prevent Congress from increasing taxes if needed. It simply assures that legislators must go on record and vote for hikes, rather than simply depend on inflation to do it for them. And even with indexing and the Reagan tax cuts, taxes will not decrease. At best, they will remain at 1981's historically high levels, thanks to bracket creep, new social security taxes, and the 1982 tax bill hike, which, combined, will wipe out most of Reagan's $600 billion tax relief measure of 1981.

Without the Reagan tax cuts, of course, things would be much worse. Marginal tax rates would be from 4 to 10 percentage points higher, and tax revenues as a percentage of GNP would be up 3 to 4 percentage points. But even with the Reagan cuts, Americans in all income bracket will pay about the same percentage of their income in 1988 as they did in 1981. Chart V indicates that those in the half median income bracket, for example, in 1981 paid 20.11 percent of their income for income and social security taxes and will pay an estimated 20.9 percent in 1988. No tax cut there. The median income taxpayer paid 25 percent of income in income and social security taxes in 1981, and will still pay 24.74 percent in 1988. The twice median income earner goes from 26.87 percent in 1981 to about 25.83 by 1988. This hardly amounts to a huge tax cut. Clearly, the Reagan tax cuts are not causing the deficit-- because taxes have not been cut very much.

Chart V
Average Tax Rates Under FICA and Individual Income Tax

	half median	median	twice median
1980	18.28	23.68	24.77
1981	20.11	25.09	26.87
1985	20.60	24.36	25.24
1988	20.92	24.74	25.83

Source: Office of the Secretary of Treasury, Office of Tax Analysis

Inflation

Opponents of indexing claim that, if taxpayers are protected from the harmful effects of inflation induced bracket creep, the resolve to fight inflation will weaken. Indexing supporters counter that the reverse is true. Without indexing, the government has an incentive to encourage inflation since it receives the tax windfall from bracket creep. Indexing takes away this incentive by eliminating the windfalls.

CONCLUSION

Indexing provides, at long last, a tax break for the little guy. It introduces an extraordinary measure of fairness into the U.S. tax system. Indexing also preserves the integrity of the American democratic process. It means that if Congress desires higher taxes, each member must go on record and vote to increase taxes openly and deliberately. No longer can Congress depend on the subterfuge of bracket creep to raise taxes silently.

Indexing does not mandate a level of government spending nor does it freeze revenues at a specific level. It is simply a procedural reform to guarantee tax honesty by the nation's legislators. The integrity of American democratic institutions and elementary notions of fairness are at stake.

Yet some Republicans and Democrats want to eliminate indexing--ironically, in the name of fairness. But is it fairness when tax rates once reserved for the rich are imposed on middle- and even lower-income taxpayers? Is it fair that the federal government gains from inflation at the expense of those American working men and women least able to pay? Is it fair that Congress can raise taxes without recording a vote? Is it fair that Congressmen claim credit for cutting taxes when they are simply returning some of the revenue bonus from the inflation tax? Of course not. If Congress repeals indexing, it will overturn one of the fairest and most beneficial tax reforms in recent U.S. history. The little guy needs a tax break. Congress and President Reagan gave it to him in 1981. It would be unfair for Congress to take it back.

Thomas M. Humbert
Walker Fellow in Economics

FYI:

JV, DJ, MB, BT, WV, HZ, TD, VK, BS, AV, MG

Document No. 1983 Budget

WHITE HOUSE STAFFING MEMORANDUM

DATE: March 22 ACTION/CONCURRENCE/COMMENT DUE BY: ______

SUBJECT: BRIEFING PACKET ENTITLED "HOUSE DEMOCRATIC BUDGET PLAN: A RADICAL ATTACK ON TWO YEARS OF PROGRESS" prepared by OMB

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	GERGEN	☐	☑
MEESE	☐	☑	HARPER	☐	☑
BAKER	☐	☑	JENKINS	☐	☐
DEAVER	☐	☑	MURPHY	☐	☐
STOCKMAN	☐	☐	~~ROLLINS~~	☐	☑
CLARK	☐	☐	WHITTLESEY	☐	☑
DARMAN	☐P	☑SS	WILLIAMSON	☐	☑
DUBERSTEIN	☐	☑	VON DAMM	☐	☐
FELDSTEIN	☐	☐	BRADY/SPEAKES	☐	☑
FIELDING	☐	☐	ROGERS	☐	☐
FULLER	☐	☐	______	☐	☐

Remarks:

Richard G. Darman
Assistant to the President
(x2702)

Response:

HOUSE DEMOCRATIC BUDGET PLAN: A RADICAL ATTACK ON TWO YEARS OF PROGRESS

MARCH 22, 1983

I. FRONTAL ASSAULT ON EVERY ELEMENT OF 1981-82 NATIONAL POLICY REDIRECTION

- Raises taxes $315 billion over five years — cancelling 42% of 1981-82 tax cut.
- Wipes out lower/middle income tax relief by cancelling both third year tax cut and indexing. Raises FY83-88 tax burden on families under $50,000 by $199 billion and amounts to an extra $3,550 in taxes for average income family over the period.
- Launches five-year domestic spending spree amounting to $181 billion add-on to President's request for non-defense programs.
- Makes radical defense cut of $206 billion in budget authority over five years resulting in lower defense funding than last Carter budget — cancelling entire national defense rebuilding effort.
- Restores failed pump-priming approach after recession has ended (first quarter GNP up 4%) with $58 billion 1983-84 add-on for anti-recession and social spending programs.
- Spurs runaway entitlement growth by repealing $10 billion of previously enacted food stamp, welfare and medicaid reforms, and flatly rejecting $71 billion in new five-year entitlement savings proposed in President's budget.
- Shatters two-year Administration/Congressional consensus for domestic spending restraint, lower taxes and defense rebuilding. Compared to President's budget for 1984-88:
    - Taxes up $114 billion
    - Defense cut $206 billion
    - Domestic spending up $181 billion
    - Failed 1970's/Carter policy and priorities fully restored

II. NEAR-TERM (1983–84) IMPACT: EVERY COMPONENT OF THE BUDGET GOES THE WRONG WAY — AT THE SAME TIME

- Due to extravagant $58 billion pump-priming initiatives and start-up of ten major new domestic programs, 1983–84 outlays up dramatically from President's budget.

- Despite House Democratic tax increases and defense cuts, overall 1983–84 impact compared to President's budget is —

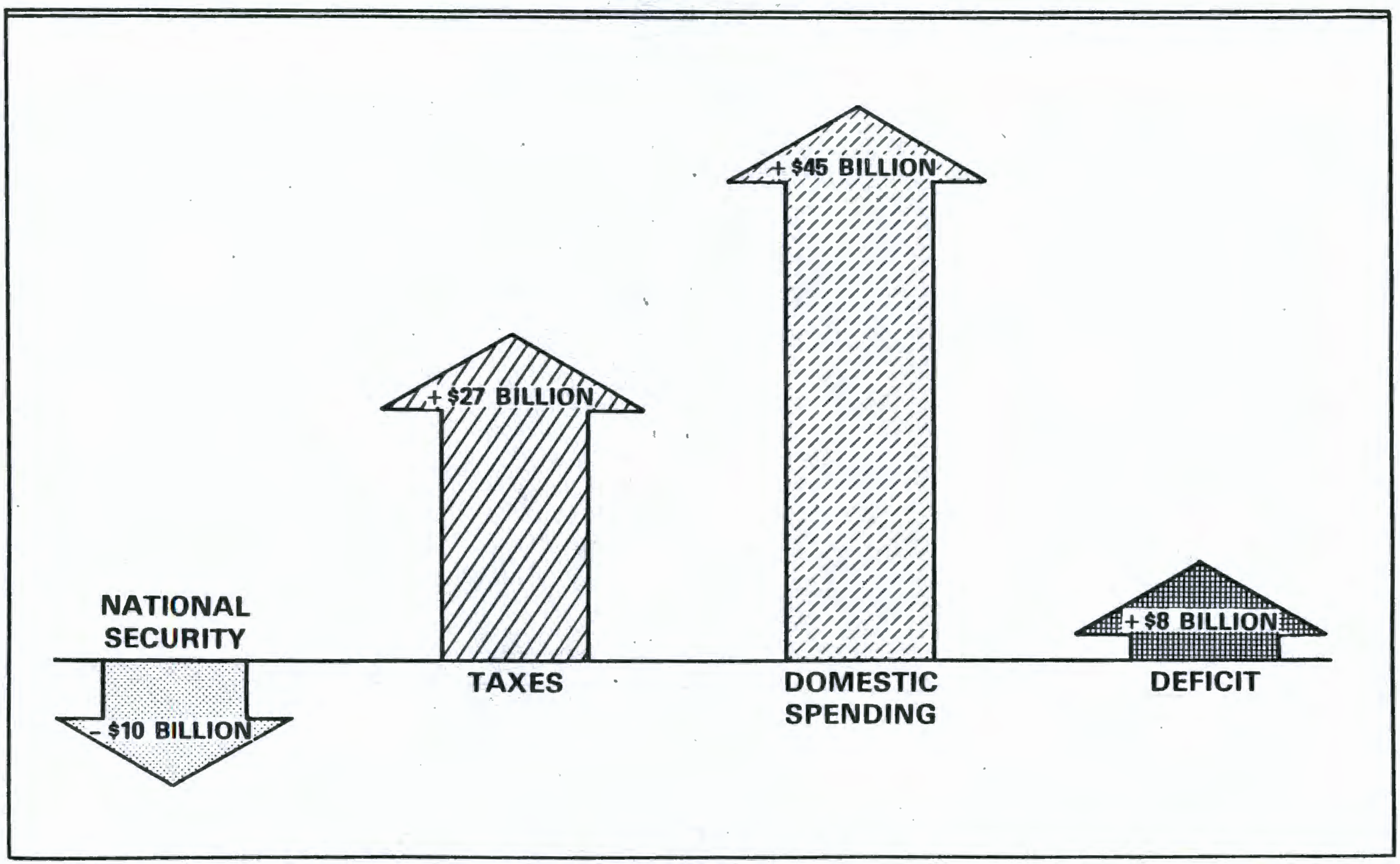
    - Domestic spending up by $45 billion

    - National security down by $10 billion

    - Taxes up by $24 billion

    - Deficit still up by $8 billion

DEMOCRATIC PLAN VERSUS ADMINISTRATION BUDGET 1983-1984



III. MASSIVE $315 BILLION TAX INCREASE: CANCELS 42 PERCENT OF 1981–82 TAX REDUCTION AND RAISES BURDEN ON LOWER/MIDDLE INCOME AN AVERAGE OF $40 BILLION/YEAR

- Impact on Enacted Tax Cuts

	1984	1985	1986	1987	1988	Total
			(billions)			
• Net tax cut enacted in 1981–82 . .	−93	−121	−154	−178	−207	−753
• Democratic plan tax increase	+35	+48	+58	+74	+100	+315
• Percent of tax cut cancelled	38%	40%	38%	42%	48%	42%

- Proposed cancellation of third-year cut and tax indexing will raise taxes of average worker by $3,550 over the period and aggregate tax burden on lower/middle income taxpayers by a staggering $199 billion over FY83–88.

Tax Increase For —	1983	1984	1985	1986 (billions)	1987	1988	Total
Under $20,000	+1	+5	+7	+10	+13	+16	+52
$20,000–$50,000	+4	+16	+21	+28	+35	+43	+147
Total, lower/middle income	+5	+21	+28	+38	+48	+59	+199
% of total Democratic tax increase imposed on lower and middle income	—	60%	58%	66%	65%	59%	63%

- Proposed allocation of 64% of Democratic plan tax burden increase to lower and middle income taxpayers reveals hypocrisy of "fairness" issue.

  - 86% of tax cut due to 1978 capital gains reform and reduction of top marginal tax from 70 to 50% went to above $50,000 taxpayers — but no change proposed by Democratic plan.

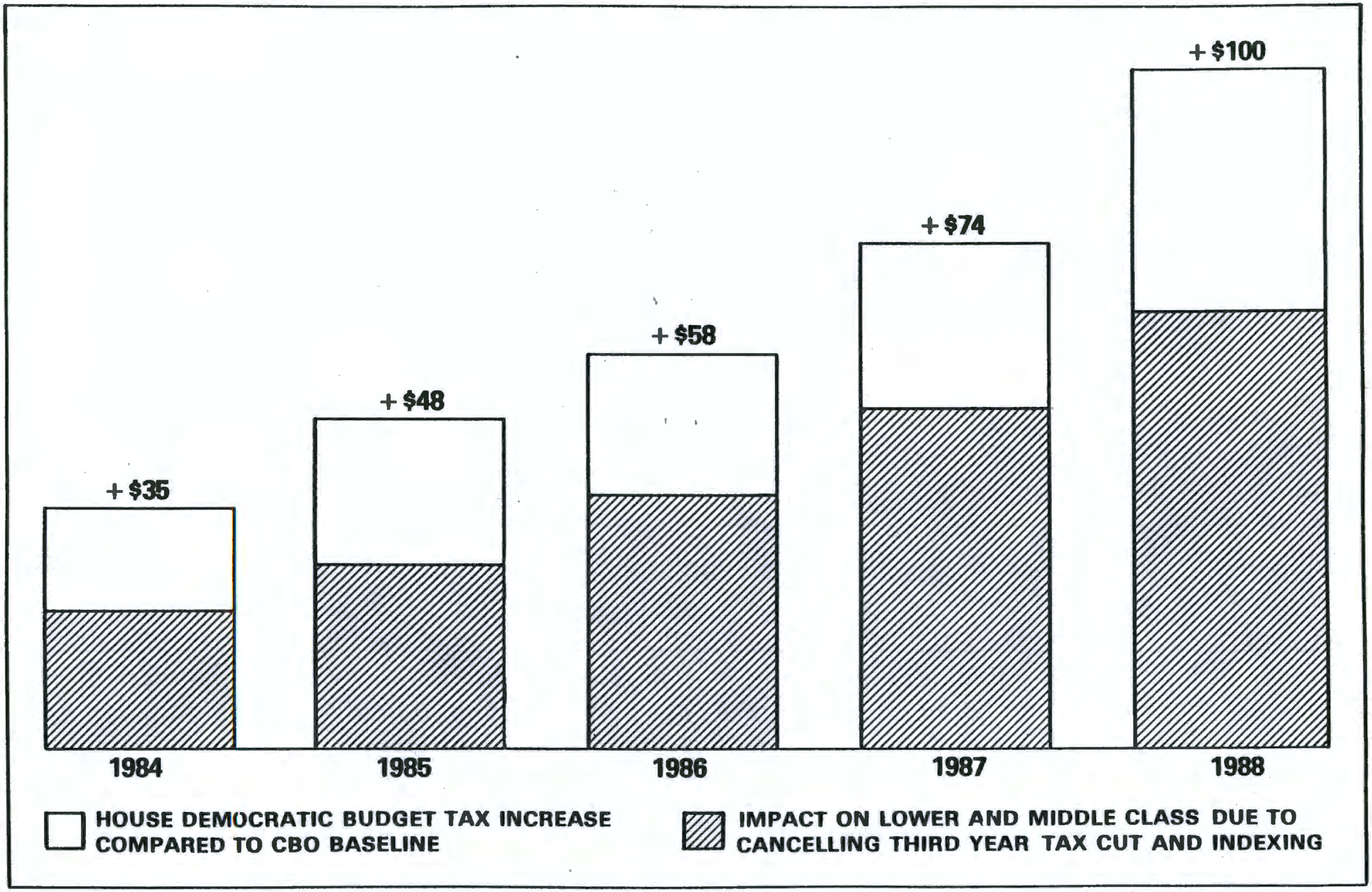
  - 74% of tax cut due to third-year rate cut and tax indexing go to families below the $50,000 income class — yet Democratic plan proposes total repeal.

- Democratic plan throws national tax reduction objective out-the-window by proposing highest average tax burden in post-war history relative to GNP:

	Tax Burden Relative to GNP
1954–60	18.0%
1961–70	18.7%
1971–80	18.9%
Democratic plan, 1984–88	20.1%

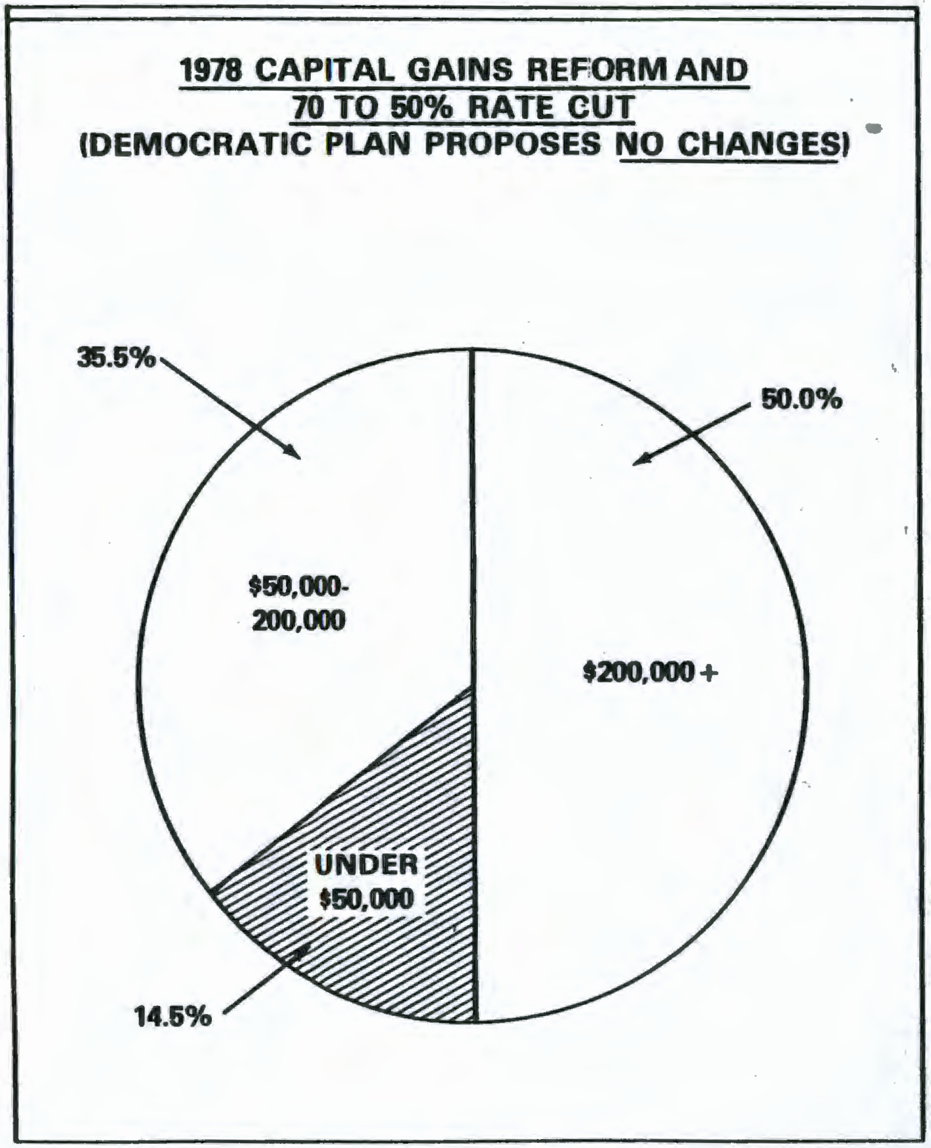
DEMOCRATIC BUDGET PLAN TAX INCREASE AND IMPACT ON LOWER/MIDDLE INCOME FAMILIES

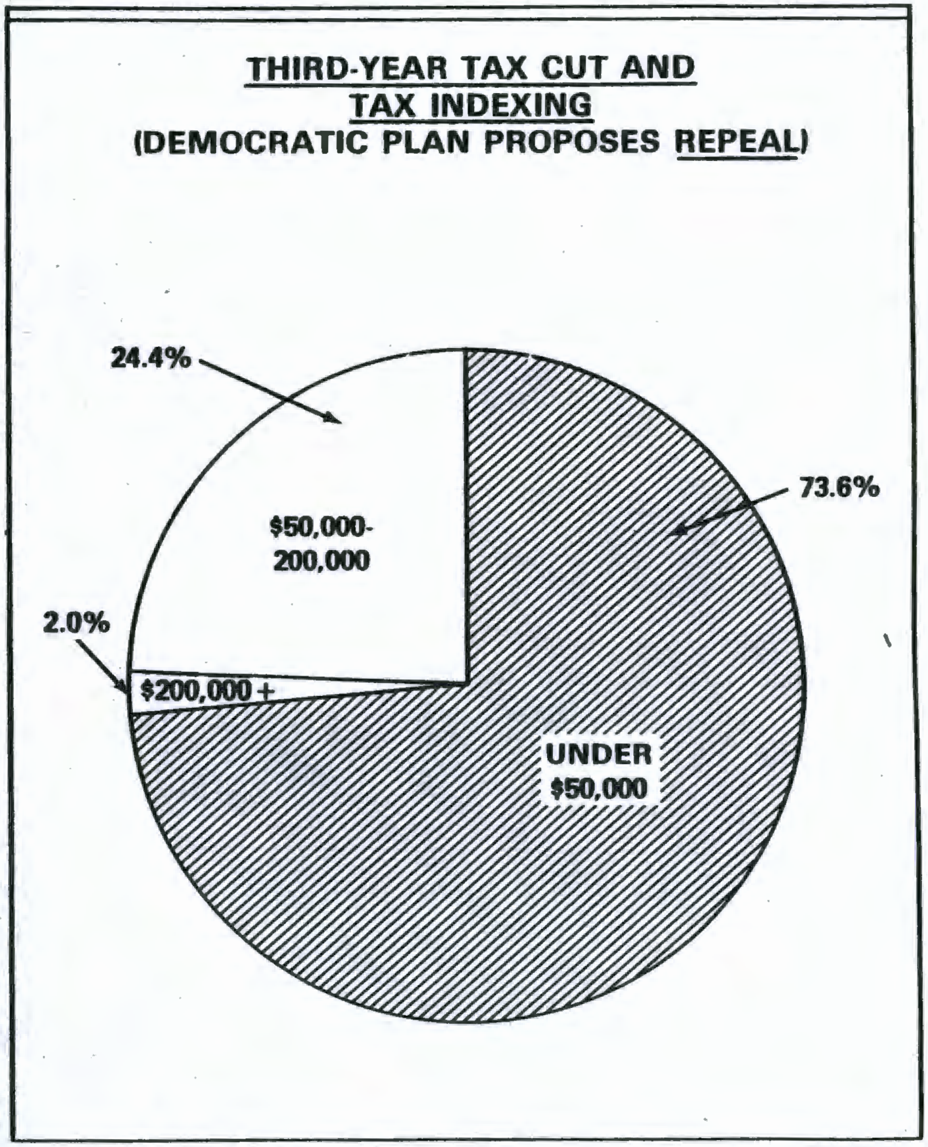
(BILLIONS OF $)



COMPARATIVE IMPACT OF RECENT TAX REDUCTION MEASURES: HYPOCRISY OF DEMOCRATIC FAIRNESS CLAIMS

(% OF TAX REDUCTION BY INCOME CLASS)





IV. $181 BILLION DOMESTIC SPENDING SPREE

- Democratic plan contains massive increase in non-defense outlays compared to President's budget (billions).

1984	1985	1986	1987	1988	Total
+29	+33	+35	+40	+44	+181

- Above spending explosion results in part from huge 1983–84 add-ons for pump-priming appropriations after recession has ended. Compared to President's FY1983–84 budgets (millions):

• New make-work jobs	+$9,550
• Emergency jobs supplemental plus 1984 extension	+8,048
• Increased housing funds	+18,292
• New programs for unemployed, health benefits, mortgage relief, science, research and math, farm export aid and national development bank	+8,020
• Increased revenue sharing	+1,700
• Other appropriation add-ons	+12,171
• Total, 1983–84 add-on	+$57,781

- For 27 domestic programs that have been cut considerably over past two years from excessive Carter 1981 levels, Democratic plan adds $32 billion or 210% to President's FY1984 request — restoring these programs to 86% of 1981 peak funding levels (see chart).

  - 1984 Administration request $15.0
  - 1984 Democratic budget plan 46.6
  - Democratic plan increase:
    - Amount .... +$31.6
    - Percent .... +210%

- Permits runaway growth of entitlements spending to continue by repealing 1981–82 food stamp, welfare and medicaid reforms and by rejecting all initiatives in President's FY1984 budget to restrain growth of medical, Federal pension price-support and other entitlement programs. These measures add $7.3 billion to FY1984 outlays and $81 billion over five years:

Entitlement Add-ons	1984	1985	1986	1987	1988	Total
			(billions)			
• Add-on due to repeal of 1981–82 entitlement reforms	+1.6	+1.7	+2.1	+2.1	+2.1	+9.6
• Add-on due to rejection of proposed entitlement reforms in FY1984 budget	+5.7	+10.3	+13.1	+18.8	+23.2	+71.1
• Total add-on	+7.3	+12.0	+15.2	+20.9	+25.3	+80.7

- Across-the-board program add-ons result in $114 billion increase over 1984–86 for major social spending categories. Compared to President's budget for Function 450, 500, 550 and 600, add-ons in House Democratic budget plan are as follows:

Function	1984 BA	1984 Outlays	1985 BA	1985 Outlays	1986 BA	1986 Outlays	1984–86 Total BA	1984–86 Total Outlays
	(billions)							
• Community and Regional Development (450)	+2.1	+1.2	+5.6	+3.2	+5.6	+3.9	+13.3	+8.3
• Education, Training & Social Service (500)	+13.6	+7.5	+8.3	+6.4	+9.0	+8.2	+30.9	+22.1
• Health (550)	+4.2	+5.8	+3.6	+7.5	+5.1	+7.8	+12.9	+21.1
• Income Security (600)	+24.5	+6.2	+18.5	+6.1	+13.8	+5.9	+56.8	+18.2
• Total Social Program Add-on	+44.4	+20.7	+36.0	+23.2	+33.5	+25.8	+113.9	+69.7

PUMP-PRIMING APPROPRIATIONS INCREASE IN DEMOCRATIC PLAN, 1983–84

	Program	Appropriations Increases Over President's Budget (in millions of dollars) 1983	1984	Total
★	1) American Conservation Corps	+60	—[1]	+60
★	2) Farm Foreclosure Aid	+850	+850	+1,700
★	3) Mortgage Foreclosure Aid	+760	—	+760
★	4) Emergency Public Jobs	+4,950	+4,050	+9,000
	5) Summer Youth Employment	+550	—[1]	+550
★	6) Health Insurance for the Unemployed	+2,700	+2,700	+5,400
	7) Low Income Weatherization	+200	+431	+631
	8) Subsidized Housing	+1,579	+16,713	+18,292
	9) Increased Revenue Sharing	+1,150	+550	+1,700
	10) Emergency Jobs (HR 1718)	+4,898	+3,150[2]	+8,048
	11) Economic Development Asst	—	+399	+399
	12) Work Incentives (WIN)	—	+285	+285
	13) Community Service Block Grant	—	+395	+395
	14) Employment & Training Aid	—	+5,579[1]	+5,579
	15) Rural Housing Loans	—	+1,848	+1,848
	16) SBA Direct Loans	—	+359	+359
	17) Science & Research Initiative	—	+1,500	+1,500
★	18) National Industrial Bank	—	+100	+100
	19) Farm Export Assistance	—	+800	+800
	20) Excess Math & Science Funding	—	+375	+375
	21) Grand Totals	+17,697	+40,084	+57,781

★ = new program not contained in President's Budget.

[1] The Democratic Plan does not disaggregate its FY 1984 appropriations recommendation for employment & training assistance; all 1984 amounts are identified in line 14.

[2] Increases not elsewhere recorded for programs granted appropriations increases for FY 1983 in H.R. 1718.

RESTORATION OF CARTER ADMINISTRATION DOMESTIC FUNDING LEVELS

Program	1981	1984 Budget	Democratic Plan	Add-on
1) Legal Services	321	—	296	+296
2) Energy Conservation Grants	430	—	431	+431
3) EDA	476	—	399	+399
4) Public Libraries	84	—	80	+80
5) Appalachian Development	85	—	75	+75
6) Juvenile Justice	100	—	73	+73
7) Health Planning	115	—	57	+57
8) Subsidized Housing	24,840	−2,319	14,394	+16,713
9) Employment & Training	7,574	4,281	8,925	+4,644
10) Compensatory Education	3,112	3,014	3,830	+816
11) REA Subsidized Loans	1,100	575	1,100	+525
12) DOE Energy R&D	2,719	2,566	3,232	+666
13) Low-income Energy Aid	1,850	1,300	2,250	+950
14) Vocational Rehabilitation	954	1,037	1,177	+140
15) Older American Act	986	898	1,003	+105
16) Mass Transit Operating Aid	1,105	275	875	+600
17) Postal Subsidies	1,343	400	879	+479
18) Land and Water Conservation Aid	319	65	257	+192
19) Agricultural Conservation Subsidies	222	56	212	+156
20) SBA Direct Loans	333	41	400	+359
21) Community Action Agencies	525	—	395	+395
22) Watershed Program	193	97	198	+101
23) NOAA Operations	776	816	958	+142
24) Education Block Grants	614	479	606	+127
25) Extension Service	304	287	340	+53
26) Historic Preservation	26	—	26	+26
27) Rural Housing	3,950	1,158	4,164	+3,006
28) Grand Totals	54,456	15,026	46,632	31,606

V. BUSINESS-AS-USUAL FOR NON-SOCIAL SECURITY TRANSFER PAYMENTS: CONTINUED RAPID GROWTH AND $1.4 TRILLION IN FIVE YEAR OUTLAYS

- House Democratic budget proposes to allow uncontrolled entitlement spending growth to drive deficits and total Federal spending to unprecedented levels. By repealing previous reforms and rejecting all new Administration proposals to restrain growth of Federal pensions, medical programs, farm price-supports and other entitlements, House Democratic plan results in $1.4 trillion in spending over five years.

- This translates into 7.4% annual growth rate for these entitlements. Compared to their 1981 cost of $152 billion, Democratic plan results in 37% higher cost in 1984 and 88% higher cost by 1988 for non-Social Security entitlements.

House Democratic Budget Plan	1984	1985	1986	1987	1988	Total
			(billions)			
• Non-Social Security entitlement outlays	$208	$222	$239	$261	$285	$1,415
• Annual growth rate	4.2%	6.7%	7.7%	9.2%	9.2%	7.4%
• Increase from 1981 level	+37%	+46%	+58%	+72%	+88%	n.a.

- Part of this huge spending total results from proposed repeal of previously enacted food stamp, medicaid and welfare reforms — resulting in:
  - $10 billion in lost savings over five years;
  - $4 billion food stamp add-on when rolls are declining due to recovery and documented $1 billion per year in erroneous payments;

- Repeal of 1981 AFDC workfare reforms so that AFDC eligibility in all but three states will extend to those with incomes in excess of full-time minimum wage job, and in some states to families up to $14,000/year;

- Restoration of reduced price school lunch eligibility to 190% of poverty line so that $18,000 family would receive $250/year for each child in school lunch program.

- Democratic plan results in entitlement spending growth rate 1.5 times higher than average inflation assumed in CBO baseline for 1984–88 because the plan:

  - Rejects $24 billion in Medicare cost-savings proposed by Administration over 1984–88 — leaving Medicare to grow at a 14.2% annual rate and resulting in Medicare outlays of $103 billion by 1988 compared to $53 billion as recently as 1983;

  - Rejects $16 billion in Administration-proposed Federal retirement reforms over 1984–88 — despite half-trillion dollar unfunded liability in civil service fund; unaffordability of the most generous annuity system in nation costing 35% of payroll; and $15 billion annual general fund subsidy needed to keep system solvent;

  - Rejects $10.2 billion in Administration-proposed savings from farm target price freeze — resulting in 1984–88 CCC outlays of $54.6 billion, an amount greater than total farm price support costs from 1968 to 1981;

  - Rejects $10 billion over 1984–88 in proposed error rate reduction and other largely administrative reforms in welfare and food stamp programs — despite ample documentation of continued abuse;

  - Rejects $3.1 billion in five-year Medicaid reforms proposed by Administration — resulting in cost growth from $14 billion in 1980 to $31 billion by 1988;

  - Includes $6.3 billion general fund bailout of railroad retirement system to maintain nearly full benefits for "private pension" component of railroad retirement — a bailout available to no other financially strained private pension system;

- Includes new $1 billion/year Medicaid entitlement benefit (CHAP) for mothers' and childrens' health and nutrition needs — despite $18 billion FY84 funding in existing programs devoted to same purposes in Democratic plan. Funds already in 1984–86 Democratic budget for health and nutrition needs of mothers and children include:

Existing Program*	1984–86 Funding in Democratic Plan (billions)
WIC	$ 4.7
Food Stamps	16.7
Child Nutrition	10.6
Section 32 Food and Special Milk	1.2
Medicaid	20.5
Maternal & Child Health, Community Health Centers & Child Immunization	3.2
Total, Existing Programs	$56.9
Proposed CHAP Entitlement Add-on	+1.9

*Includes only proportion of program outlays attributable to mothers and children.

VI. RADICAL DEFENSE SPENDING CUT: $203 BILLION BUDGET AUTHORITY REDUCTION OVER 1984-88 WOULD WIPE OUT ADMINISTRATION'S DEFENSE REBUILDING PROGRAM AND PUT DEFENSE FUNDING BELOW CARTER LEVELS

- To pay for this reckless return to big spending as usual, the Democratic plan bases national security funding on one-minute of computation by a hand-calculator. The proposed 4% real growth per year for defense sounds significant. However, compared to actual defense needs and the cost of meeting Soviet threats, as provided for in President's budget, a staggering $206 billion reduction from the President's request would result from the Democratic plan:

	1984	1985	1986	1987	1988	Total
			(billions)			
Defense authority cut from President's request	–16	–39	–47	–49	–54	–206

- Contrary to Democratic claims, the proposed draconian defense cut does not result in one dime of deficit reduction. The entire proposed 1984-86 defense cut is reallocated to huge add-ons for major social spending functions in the budget:

Change to President's Budget	1984 BA	1984 Outlays	1985 BA	1985 Outlays	1986 BA	1986 Outlays	1984-86 Total BA	1984-86 Total Outlays
				(billions)				
Social spending functions (450, 500, 550, 600)	+44	+9	+35	+23	+33	+26	+114	+69
Defense function	–16	–10	–39	–26	–47	–37	–102	–73

- The Democratic plan results in defense funding level for 1984–86 that is below the inadequate Carter five-year defense plan for 1982–86:

DEFENSE OUTLAYS, 1984–86

	1984	1985	1986	Total
		(billions)		
• Last Carter Budget	238	268	300	806
• House Democratic Plan	235	256	284	775
• Cut From Carter Budget	–3	–12	–16	–31

- If this defense reduction is taken across-the-board, it would be necessary to —

  - de-activate one active and one reserve Army division; decommission one carrier battle group and almost 30 other ships;

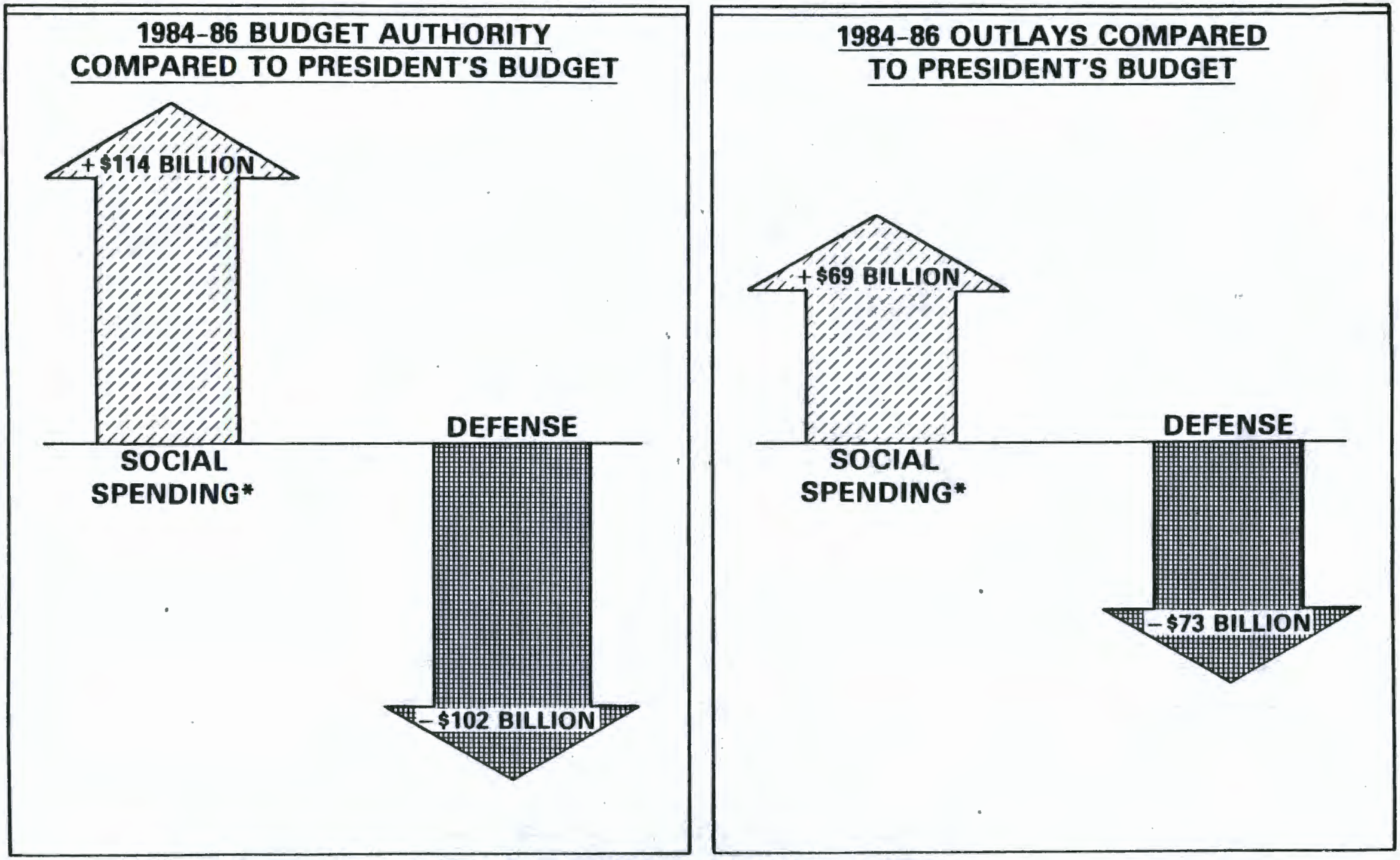
  - de-activate three Marine Corps fighter squadrons, two active and two reserve Air Force tactical fighter wings and six continental U.S. air defense squadrons;

  - reduce readiness funds for spares and repairs, and combat funds for ammo, as well as cancelling several major weapon systems for each service.

- Or if funds for manpower, force operations and readiness are protected, a devastating one-third reduction in our programs to modernize our forces and replace obsolete equipment would result — forcing wholesale cancellation of major weapons systems such as:

  - the Air Force F-15 fighter aircraft, the Marine AV-8B aircraft, ASW helicopter, twenty-five naval ships, the Army Bradley Fighting Vehicle and AH-64 attack helicopter, and the MX Peacekeeper missile, effectively abandoning the land-based leg of our Strategic Triad.

ENTIRE DEMOCRATIC PLAN DEFENSE CUT REALLOCATED TO MASSIVE INCREASE IN SOCIAL SPENDING



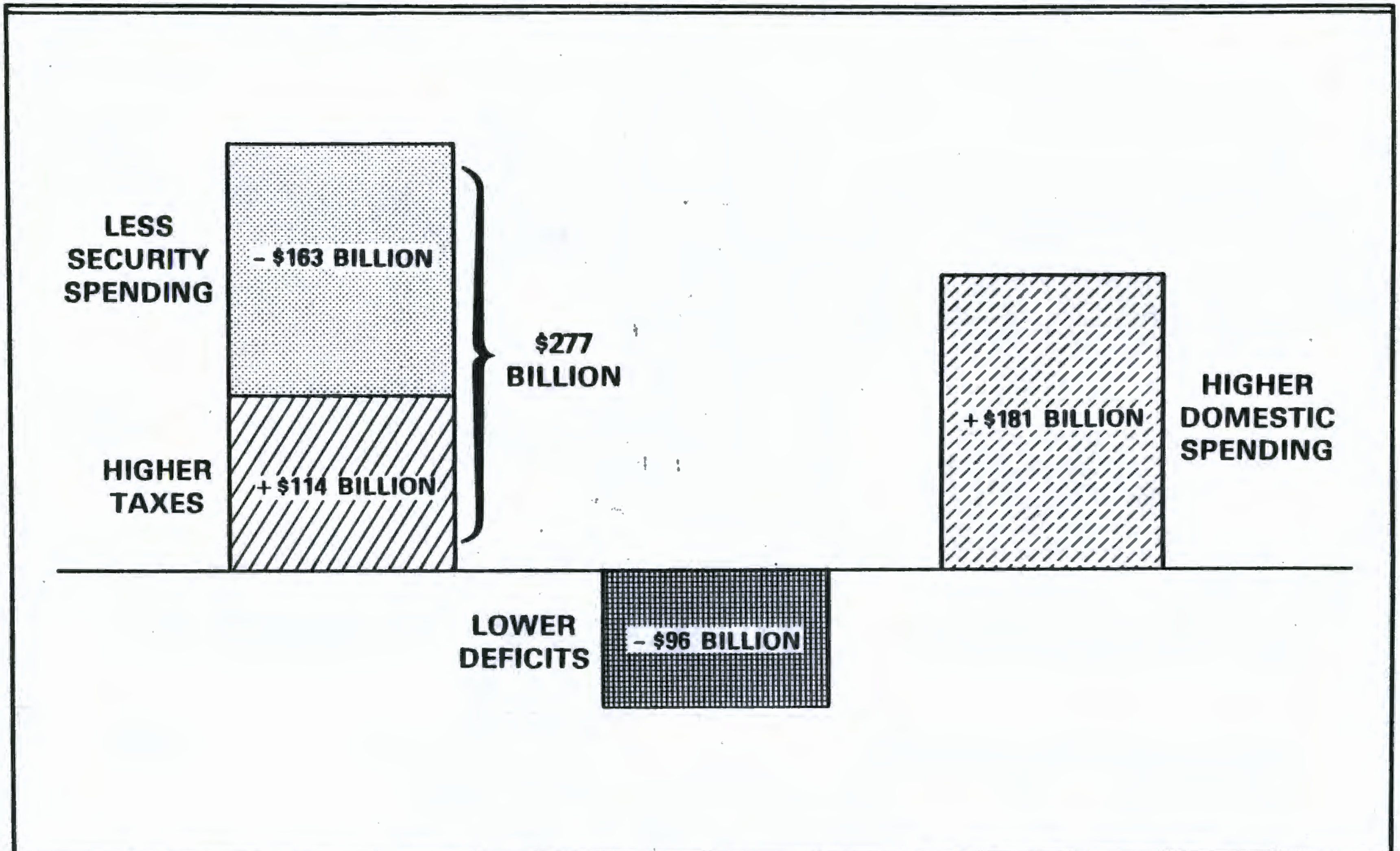
*FUNCTIONS 450 (COMMUNITY AND REGIONAL DEVELOPMENT), 500 (EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES), 550 (HEALTH), AND 600 (INCOME SECURITY).

VII. THE DEMOCRATIC CLAIM THAT THEIR BIG DEFENSE CUTS AND MAJOR TAX INCREASES ARE NEEDED TO CUT THE DEFICIT IS PHONY

- Two out of every three dollars of combined revenue increases and defense reductions in the proposed plan are allocated to increased domestic spending — not lower deficits.

Compared to the President's Budget:	1984–88
• Combined tax increases and defense cuts	$277 billion
• Higher domestic spending	+181 billion
• Percent allocated to higher domestic spending	65%

TWO-THIRDS OF DEMOCRATIC PLAN'S* TAX INCREASES AND DEFENSE CUTS GO TO HUGE DOMESTIC SPENDING RISE



*COMPARED TO ADMINISTRATION BUDGET

Start new file

File

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FEDERAL BUDGET

Summary Data

Budget Summary

- Tables A and B summarize (1) budget authority and outlays* for the major departments and agencies for fiscal years 1981 through 1983, and (2) civilian employment for major departments and agencies for fiscal years 1981-84.

- Tables C and D provide budget and staffing information for the independent and smaller agencies.

- The President's 1983 Budget Message to the Congress is included in The United States Budget in Brief, accompanying this Briefing Book.

- The 1983 Budget totals are:

Budget Receipts	--	$666.1 billion
Budget Outlays	--	$757.6 billion
Deficit	--	$ 91.5 billion

Note
*Budget authority is authority provided by law to enter into obligations that will result in immediate or future outlays of Government funds. Outlays are the amount of checks issued, interest accrued on most public debt, or other payments, net of refunds and reimbursements.

Table A. Summary of Budget Authority and Outlays for Departments and Major Agencies FY 1981-83. (In millions of dollars.)

Department or other unit	Budget authority			Outlays		
	1981 actual	1982 estimate	1983 estimate	1981 actual	1982 estimate	1983 estimate
Legislative branch	1,247	1,423	1,465	1,209	1,502	1,450
The Judiciary	653	741	842	637	730	824
Executive Office of the President	103	90	102	96	92	99
Funds appropriated to the President	14,662	11,036	11,483	7,010	6,370	6,936
Agriculture	28,169	30,251	24,748	26,034	29,442	23,533
Commerce [1]	11,160	10,044	9,730	11,484	11,646	9,862
Defense—Military [2, 3]	178,386	214,060	257,469	156,096	182,800	215,900
Defense—Civil	3,097	2,918	2,292	3,148	2,991	2,286
Health and Human Services [2]	225,844	251,358	268,411	228,115	252,938	274,165
Housing and Urban Development	33,350	13,020	685	14,033	14,614	13,130
Interior [1, 2]	6,359	2,929	3,270	6,775	3,139	3,270
Justice [1, 2]	2,457	2,454	2,644	2,752	2,643	2,727
Labor	29,452	26,623	26,418	30,084	32,075	26,451
State	2,332	2,541	2,673	1,897	2,183	2,447
Transportation [4]	23,710	20,300	18,438	22,509	20,567	18,980
Treasury [2]	92,681	110,308	124,957	93,372	110,022	124,545
Environmental Protection Agency	3,025	3,674	3,590	5,241	5,434	4,644
National Aeronautics and Space Administration	5,518	5,936	6,608	5,421	5,827	6,577
Veterans Administration	23,133	24,754	25,621	22,904	24,134	24,356
Other independent agencies [1, 2]	63,383	63,114	53,181	48,706	48,306	40,187
Allowances [5]		−608	−1,243		−624	−1,257
Undistributed offsetting receipts:						
Employer share, employee retirement	−6,371	−7,560	−8,353	−6,371	−7,560	−8,353
Interest received by trust funds	−13,810	−16,080	−16,122	−13,810	−16,080	−16,122
Rents and royalties on the Outer Continental Shelf lands	−10,138	−7,861	−18,000	−10,1384	−7,861	−18,000
Federal surplus property disposition			−1,000			−1,000
Total budget authority and outlays	718,400	765,646	801,910	657,204	725,331	757,638
MEMORANDUM						
Portion available through current action by Congress	437,841	446,859	461,125	274,380	300,333	309,132
Portion available without current action by Congress	379,425	434,957	475,787	289,644	340,338	387,036
Outlays from obligated balances [6]				140,506	155,481	165,530
Outlays from unobligated balances [6]				51,540	45,531	30,942
Deductions for offsetting receipts:						
Intragovernmental transactions	−66,377	−81,787	−86,737	−66,377	−81,787	−86,737
Proprietary receipts from the public	−32,490	−34,565	−47,265	−32,490	−34,565	−47,265
Total budget authority and outlays	718,400	765,464	802,910	657,204	725,331	757,638

[1] The buget proposes dismantlement of the Department of Energy (DOE), effective October 1, 1982. Budget data for activities previously performed by DOE are included in the agencies that are proposed to assume these activities.

[2] The budget proposes dismantlement of the Department of Education (DEd), effective October 1, 1982. Budget data for activities previously performed by DEd are included in the agencies that are proposed to assume these responsibilities.

[3] Includes allowances for civilian and military pay raises for Department of Defense.

[4] Includes allowance for military pay raises for the Coast Guard.

[5] Includes allowances for civilian agency pay raises and contingencies.

[6] Outlays from appropriations to liquidate contract authority are included as outlays from balances.

Table B. Summary of Civilian Employment* for Departments and Major Agencies FY 1981-84.

(Excluding the Postal Service)

	Fiscal year				
	1981 estimate [2]	1982 revised Budget estimate [3]	1982 current estimate	1983 estimate	1984 estimate
Agriculture	117,300	121,000	117,000	111,000	108,900
Commerce [4] [5]	52,600	45,500	45,600	40,500	38,200
Defense—civil functions	34,400	32,300	32,300	30,700	29,100
Health and Human Services [6]	148,400	154,400	147,600	141,400	137,600
Housing and Urban Development	16,100	15,700	14,900	14,400	14,100
Interior [5] [6]	85,900	87,400	85,000	81,600	79,300
Justice [5] [6]	56,900	55,100	56,400	55,800	54,400
Labor	22,600	21,600	19,200	18,600	18,400
State	23,400	22,900	23,000	23,300	23,500
Transportation [4]	58,800	69,300	60,100	61,900	62,500
Treasury [6]	123,900	124,400	122,200	123,000	122,200
Environmental Protection Agency	12,700	12,900	12,200	10,500	10,500
National Aeronautics and Space Administration	22,600	22,700	22,500	22,000	22,000
Veterans Administration	214,100	209,600	215,900	216,800	218,900
Other:					
Foundation for Education Assistance [6]	6,200	5,300	5,400	4,800	4,800
General Services Administration	34,000	32,800	32,300	31,000	29,500
International Communication Agency [6]	7,900	7,600	7,900	7,900	7,900
International Development Cooperation Agency	5,800	5,800	5,700	5,600	5,400
Nuclear Regulatory Commission	3,400	3,400	3,400	3,400	3,300
Office of Personnel Management	7,200	6,600	6,400	5,900	5,800
Panama Canal Commission	8,900	9,100	9,000	9,000	9,000
Small Business Administration	5,000	4,700	4,500	4,200	4,100
Tennessee Valley Authority	50,100	44,800	42,500	41,400	40,300
Miscellaneous [5] [6]	45,500	47,200	43,100	40,700	39,900
Undistributed reduction					−2,500
Subtotal	1,163,700	1,162,100	1,134,100	1,105,400	1,087,100
Defense—military functions [6] [7]	947,000	937,700	945,200	947,300	947,000
Subtotal	2,110,700	2,099,800	2,079,300	2,052,700	2,034,100
Contingencies [8]		1,000	1,000	1,000	1,000
Total	2,110,700	2,100,800	2,080,300	2,053,700	2,035,100

[1] Excludes developmental positions under the worker-trainee opportunity program (WTOP) as well as certain statutory exemptions.
[2] Data are estimated because most executive branch agencies were not reporting full-time equivalent (FTE) information prior to October 1981.
[3] As contained in the revised 1982 Budget, transmitted to the Congress in March 1981.
[4] Reflects the transfer, during 1981, of the Maritime Administration from the Department of Commerce to the Department of Transportation.
[5] The budget proposes dismantlement of the Department of Energy (DOE), effective October 1, 1982. Employment data for activities previously performed by DOE are included in the agencies that are proposed to assume these activities.
[6] The budget proposes dismantlement of the Department of Education (DEd), effective October 1, 1982. Employment data for activities previously performed by DEd are included in the agencies that are proposed to assume these responsibilities.
[7] Section 904 of the 1982 Defense Authorization Act (Public Law 97-86) exempts the Department of Defense from full-time equivalent employment controls.
[8] Subject to later distribution.

* Full-time Equivalent of Total Employment.

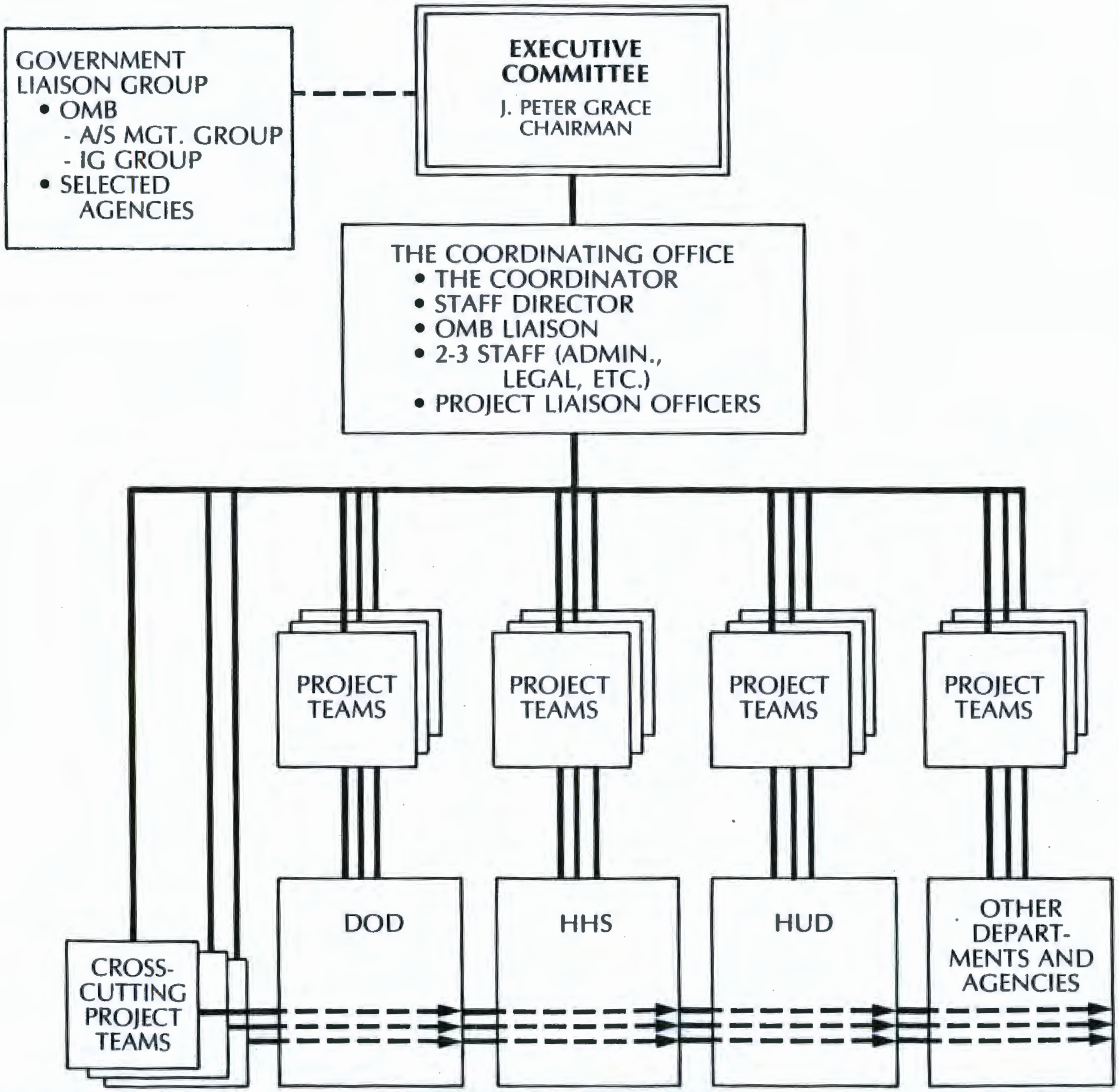
Table C. Independent Agencies Outlays of Federal Funds. ($ in thousands.)

	81	82 est.	83 est.
ACTION	150,310	132,637	119,354
ADM. CONF. OF U.S.	1,132	1,017	1,299
AM. BATTLE MONU COMM.	8,081	10,419	10,584
ARMS CONTROL & DISARM. AGENCY	15,888	15,716	17,964
BD. FOR INT'L BROADCASTING	88,199	86,892	95,305
CIA	55,300	84,600	91,300
CAB	147,151	112,590	76,877
COM. ON FINE ARTS	305	291	319
COM. ON CIVIL RIGHTS	12,137	11,900	11,700
COMMODITY FUTURES TRADING COMM.	18,298	19,526	22,539
CSA	618,668	184,574	32,572
CPSC	40,885	34,354	32,170
CORP. FOR PUBLIC BROADCASTING	162,000	172,000	137,000
EEOC	134,256	143,000	141,947
EX-IM BANK OF THE U.S.	2,066,222	1,854,641	1,917,853
FARM CREDIT ADMIN.	502	870	-
FCC	80,919	76,191	73,625
FDIC	-1,725,994	-1,800,000	-2,000,000
FED. ELECTION COMM.	9,239	8,320	9,491
FEMA	372,135	416,693	585,332
FED. HOME LOAN BANK BOARD	369,931	38,423	-149,970
FED. LABOR RELATIONS AUTH.	15,552	14,203	15,745
FED. MARITIME COMMISSION	11,704	11,017	10,274
FED. MEDIATION & CONCILIATION SERVICE	24,327	24,697	21,012
FED. MINE SAFETY & HEALTH REVIEW COMM.	3,706	3,244	3,649
FTC	70,082	68,046	61,098
GSA	186,037	258,235	-528,389
INDIAN CLAIMS COMM.	-	-	-
INTELLIGENCE COMMUNITY STAFF	14,005	15,676	3,736
ACIR	1,917	1,850	1,900
ARC	5,270	2,900	39
WASH. METRO AREA TRANSIT AUTH.	69,207	80,546	68,748
INT'L COMMUNICATION AGENCY	462,813	523,370	567,586
INT'L TRADE COMMISSION	16,193	19,080	19,737
ICC	74,190	33,463	56,278
LEGAL SERVICES CORP.	324,314	147,605	12,836
MSPB	20,569	22,216	20,552
NAT. CAP. PLNG. COMM.	2,339	2,267	2,202
NAT. CONSUMER COOP. BANK	131,491	85,705	-
NCUA	-10,256	93,471	104,409
NAT. FOUND. ON THE ARTS AND HUMANITIES	302,176	288,048	278,906
NLRB	114,450	113,815	131,333
NAT. MEDIATION BOARD	4,289	4,503	3,915
NSF	973,412	1,095,995	976,760
NAT. TRANSP. SAFETY BD.	18,296	16,894	17,294
NEIGHBORHOOD REINVEST. CORP.	12,459	13,872	15,512
NRC	416,844	446,500	450,500
OCCUP. SAFETY & HEALTH REV. COMM.	7,654	7,103	6,363
FED. INSPECTOR--ALASKA PIPELINE	16,009	26,050	28,901
OPM	14,483,241	15,446,916	16,504,466
PANAMA CANAL COMM.	-17,606	-2,450	-20,502
PA. AVE. DEV. CORP.	35,112	32,213	17,130
POSTAL SERVICE	1,343,217	619,240	500,000
RAILROAD RETIREMENT BD.	342,218	379,466	350,266
RENEGOTIATION BD.	-	-	-
SEC	78,025	81,591	83,922
SELECTIVE SERVICE SYST.	27,029	20,420	23,559
SBA	1,912,527	525,445	78,200
SMITHSONIAN INSTITUTION	166,762	188,198	198,748
TVA	1,927,758	2,179,976	1,689,976
U.S. METRIC BD.	2,546	2,464	200
U.S. RAILWAY ASSOC	191,250	28,000	3,000
WATER RESOURCES COUNCIL	22,912	5,967	1,014

Table D. Independent Agencies Staffing Levels.

	Total 81 FTE	Total 82 FTE	Total 83 FTE
ACTION	1,179	912	558
Adm. Conf. of U.S.	21	25	25
American Battle Monuments Comm.	379	387	387
Arms Control & Disarm. Agency	187	190	178
Bd. for Int'l Broadcasting	10	10	10
CIA	--	--	--
CAB	710	570	499
Comm. on Fine Arts	7	4	4
Comm. on Civil Rights	267	262	237
Commodity Futures Trading Comm.	476	483	523
CSA	1,018	0	0
CPSC	811	649	636
Corp. for Public Broadcasting	--	--	--
EEOC	3,358	3,376	3,327
Ex-IM Bank of the U.S.	374	360	344
Farm Credit Administration	261	307	310
FCC	2,130	1,986	1,587
FDIC	3,313	3,287	3,287
Fed. Election Commission	248	236	236
FEMA	2,375	2,340	2,540
Fed. Home Loan Bank Board	1,510	1,555	1,555
Federal Labor Relations Authority	363	328	316
Federal Maritime Commission	297	301	278
Fed. Mediation & Conciliation Serv.	492	408	363
Fed. Mine Safety & Health Review Comm.	81	76	70
FTC	1,671	1,455	1,310
GSA	34,034	32,267	31,012
Indian Claims Commission	--	--	--
Intelligence Community Staff	--	--	--
ACIR	38	45	45
ARC	5	6	0
	--	--	--
Wash. Metro. Area Transit Auth.	7,891	7,882	7,882
Int'l Communication Agency	432	441	440
Int'l Trade Commission	1,852	1,620	1,475
ICC	--	--	--
Legal Services Corp.	460	505	495
MSPB	56	54	52
Nat. Cap. Planning Comm.	--	--	--
Nat. Consumer Coop. Bank	706	698	672
NCUA	590	557	536
Nat. Found. on the Arts & Hum.	2,828	2,680	3,050
NLRB	62	62	60
Nat. Mediation Board	1,315	1,303	1,238
NSF	370	345	315
Nat. Transp. Safety Bd.	--	--	--
Neighborhood Reinvest. Corp.	3,423	3,448	3,362
NRC	168	135	121
Occup. Safety & Health Rev. Comm.	158	200	217
Fed. Inspector--Alaska Pipeline	7,164	6,358	5,901
OPM	8,903	9,042	8,962
Panama Canal Commission	55	42	39
Pa. Ave. Dev. Corp.	641,632	641,266	635,605
Postal Service	1,620	1,578	0
Railroad Retirement Bd.	--	--	--
Renegotiation Bd..	1,982	1,920	1,795
SEC	141	253	266
Selective Service System	5,012	4,516	4,223
SBA	4,336	4,324	4,324
Smithsonian Inst.	50,087	42,473	41,373
TVA	40	25	0
U.S. Metric Bd.	--	--	--
U.S. Railway Assoc.	35	23	0
Water Resources Council			

THE PRESIDENT'S PRIVATE SECTOR SURVEY ON EFFICIENCY AND COST CONTROL



THE WHITE HOUSE

WASHINGTON

June 22, 1983

MEMORANDUM FOR MORTON BLACKWELL

FROM: JOHN H. ROUSSELOT JHR

SUBJECT: Talking Points on the Budget

Could use your help today in calling your Public Liaison contacts who are willing to make direct contact with the Hill re: the attached talking points on the budget. The President is very much opposed to this budget. We need their help today in calling Senators and Congressmen.

Thank you for your help and cooperation.

Ken,
Take attachment to PMW at Kingston Friday.
MB

MAJOR PROBLEMS WITH BUDGET CONFERENCE AGREEMENT

I. The Administration strongly opposes the Conference Agreement on the Budget Resolution. Adoption of the agreement would reverse the fiscal priorites of the Reagan Administration. The Conference Agreement would:

- o Allow for dramatic increases in domestic spending, including several billion for unnecessary new spending programs;
- o Finance these domestic spending increases by raising taxes, drastic cuts in defense, and increasing the FY84 deficit; and
- o Unnecessarily jeopardize the progress of the economic recovery now underway.

II. The Conference Agreement Increases Revenues by More Than a Third More Than the President's Budget.

	1984	1985	1986	Total
o President April*.	+2.6	+5.4	+48.4	+56.4
o Resolution.......	+12.0	+15.0	+46.0	+73.0

*as submitted

III. The Conference Agreement Includes a Defense Growth Rate Less Than Half That Proposed by the President for FY84 and FY85.

Cut From President's January Request*:

	1984	1985	1986	Total
o Budget Authority.	-11.9	-32.7	-35.8	-80.4
o Outlays..........	-5.3	-20.0	-28.0	-53.3

*as submitted

Real Growth*:

o President.........	10.2%	10.4%	4.5%	--
o Resolution........	4.7%	4.9%	5.0%	--

*Based on CBO deflators with varying pay assumptions

IV. Agreement Actually Increases Spending for Existing Non-Defense Programs (Excluding Interest) Instead of Decreasing It.

	1984	1985	1986	Total
o CBO Baseline......	511.2	536.7	565.3	1,613.2
o President.........	-13.4	-21.4	-28.1	-62.9
o Resolution........	+1.2	+1.7	-2.9	+0.0

V. In Addition, Agreement Includes A $16 Billion Dollar Reserve Fund (excluding interest) for Unnecessary New Domestic Programs

	1983	1984	1985	1986	Total FY84-86
o Budget Authority..	+6.0	+8.3	+4.8	+3.0	+16.1
o Outlays...........	+5.4	+8.5	+3.4	+2.0	+13.9

- Reserve Fund Spending Items:
  - $4 billion public jobs bill
  - Industrial Development Bank
  - Health Benefits for the Unemployed
  - Mortgage Bailout
  - FSC Extension
  - Agricultural Credit Relief
  - Infrastructure Initiative
  - Food Stamps
  - Veterans Employment Initiative

VI. In Total, Conference Agreement Proposes to Increase Domestic Spending (Excluding Interest) Over the President's Request by $23.1 Billion in FY84 and $76.8 Billion FY84-86.

	1984	1985	1986	Total
o Domestic Over Request.....	+23.1	+26.5	+27.2	+76.8

VII. Almost 70 Percent of the Increase in Domestic Spending FY84-86 Would be Financed by Cutting Defense Spending

- Defense spending would be cut below the last Carter Budget.

	1984	1985	1986	Total
o Resolution....	240.0	265.3	295.0	800.3
o Carter........	237.8	267.8	299.5	805.1
o Difference....	+2.2	-2.5	-4.5	-4.8

June 22, 1983 2:45 PM

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